

**Transcript of
USTR Robert Zoellick Press conference
in Sao Paulo, Brazil March 13, 2002**

I really wanted to emphasize five ideas on this trip.

First was one, thanks to the Brazilian people as well as the Brazilian government for the support to my country after the terrorism of September 11. This is an event that will remain very much in the hearts and minds of all Americans and obviously is one that affected the world because there were people from 80 nations that were killed in the World Trade tower alone. As president Bush said in the speech he gave this week on the six month anniversary of the attack, this is a challenge that unfortunately will not be easily overcome - it's going to take a long time. And so we very much appreciate the support of our close friends and partners. A country like Brazil that promptly moved with President Cardoso and Minister Lafer's initiation to initiate the provisions of the Rio Treaty in the aftermath of September 11. But in addition to working at the government level, what has touched many Americans is the response of the average Brazilian. And the best example that I have of that was one that I saw at Casa Thomas Jefferson in Brasilia where I gave a few words, comments on the six month anniversary of the attack of September 11. And in the background there was a picture of an American flag that had been done by 72 first graders. In a town clearly outside Brasilia that I can't believe these first graders knew a great deal about the United States or had ever been there. But they had an immediate sense of solidarity.

The reason I stress this is because as time passes beyond those events, we are increasingly seeing that the effect of these events on children may be the greatest, this will be a very lasting effect. One good thing that I can see from it is that it draws children together from around the world and emphasizes the potential of countries coming together, to create, not destroy, that will lead us to a better possibility.

The second, I wanted to come to Brazil to listen and to learn, because the past ten years have been a substantial period of transformation in the Brazilian economy. I touched on this in the speech. Dealing with hyper-inflation, moving forward an economic reform program, starting to open up the Brazilian economy in a serious way - these are very huge steps. We recognize that you are now moving into an election period so it is natural at times of elections for people to debate policies. I wanted to come to Brazil and talk to government officials but also private sector people, business people as well as NGO's, and get their sense about where Brazil will move forward in globalization, because as I mentioned in my speech, I think there is a potential that if Brazil continues on this path, as I hope and believe it will, to have a greater convergence, of identity and interests with my country.

Third, I benefited a great deal over the past year from the insights I've had from my Brazilian colleagues about events in Argentina and the Southern Cone. And so I wanted to get the views and opinions of finance ministries, foreign ministries, business people

about Argentina and how the United States and Brazil can work together, but also help other countries like Uruguay that are clearly being very badly hurt by these events.

Fourth, we obviously have a very strong interest in the Free Trade Area of the Americas. We know that this is a sensitive subject in Brazil but we think that Brazil's long term interest is in moving forward free trade in the hemisphere. We decided last year that Brazil and the United States would become co-chairs of the process starting later this year. And that will run through the completion of the FTAA process. And so, as we look towards the start of that co-chairmanship we wanted to consult with our Brazilian colleagues about how we can move this process forward together.

And fifth and finally, as I mentioned in Brasilia and in my remarks today, I had the extreme good fortune of working very closely with Minister Lafer in the preparation for Doha and the launch of the new global trade negotiations and at that meeting. And I have the highest respect for him and his colleagues. And as we now look to take that negotiation forward into the next steps, I wanted try to consult with my Brazilian colleagues about our common interest and the approach that we can take. So, those are the five reasons that I have been here.

I had, in addition to the meeting with the American Chamber Commerce, which of course includes Brazilian as well as U.S. business people, I had two other very interesting sessions this morning. One was the Wal-Mart Global Sourcing Conference where I met a number of Brazilian companies that were looking not only to export to the United States but to be part of Wal-Mart's global business operations. And I must say from meeting them, one cannot come away with anything but a sense of optimism about the potential of Brazil's industry to adapt and prosper in a global economy. And then second, this morning I stopped at something that gave me another sense of optimism for Brazil which is an NGO that is using computers and information technology to reach out to poor children and to start to give them some sense of additional education in the English language, in computer training, in art. This is a project supported by Compaq computers and Microsoft, and again, I talked to some of the children there. Obviously these are children from a poor upbringing. Again, you can't help but have a sense of their sense of hope in what they would like to try to do in their lives. And I think the economic reforms and growth that are at the heart of Brazil's new policy will give these kids a chance, which is very important.

And after this session I will be meeting some NGOs because obviously the world of trade now involves everything from human rights to the environment and I wanted to get some of their views on these issues. So, sorry for the long comment, and I'd be happy to take your questions.

Q . Soda Gazeta Mercantil e tenho duas questões. Queria saber se na sua visita ao Brasil houve alguma conversa sobre a escolha do padrao de TV digital que nos estamos fazendo, e se na sua opiniao, com a mudanca do governo com as eleicoes que estão próximas, com a mudanca de partidos se unindo a presidencia da republica pode atraparlar a entrada de investimentos estrangeirosd no Brasil?

Zoellick: As for the first question about the digital standard, I read about that in some newspaper reports before I came, but it is not an item that has been raised with me. I'll make this larger point about standards. One of the Senators in the U.S. Congress, who is a big supporter of open trade, makes the point that in the late 19th century, as electricity started to be developed in global and Brazilian society, Brazil had a choice of which electrical standards to use. **And it chose a European standard as opposed to the U.S. standard, in part because U.S. firms were not very active in Brazil, so it was our fault. So, fortunately I bring a straight razor so I don't have this problem, but if I had to bring another razor I would have to bring an adapter. I use this example within the United States to make a point about our larger interests and engagement in Brazil and other countries on trade because part of the issue of economic integration is one of the standards. Ultimately this is a world of competition and Brazil should choose the standards which is best for it. But it hasn't come up in a way that I saw in some newspaper articles as competition on this, that and the other thing.**

As for your second question about governments and reforms, Brazil is a democracy and it is a proud democracy and it earned its democracy. And whatever choice the people of Brazil want to make is a choice for the people of Brazil. That's not my business. What I came here to do was not only to talk to members of the administration, but also members of the Congress, because Minister Lafer put together a lunch for me yesterday that had Congress people from a full range of parties, where I could talk with them about some of these economic issues. And similarly when I am talking to business communities as well as civil society, I recognize that Brazil is a very rich and diverse country in opinion. So part of what I'm here to do is to listen and to learn from all sides. In the speech I just gave I gave my clear view of Brazil's potential. And so in that sense I hope that I've had a positive contribution to the debate. But these are decisions for Brazil as a sovereign country to decide, and for its people to decide amidst its own public debate.

Q - INAUDIBLE

Zoellick: Personally, as someone who has dealt with U.S. foreign and economic policy for some 20 years, I find that unilateralism to be a common charge but way overstated. Let me give you a couple of examples. One person's unilateralism is another person's leadership. In 1989, I helped develop the U.S. strategy for unification of East and West Germany and, indeed, I was the lead U.S. negotiator. When we started that process, we looked very unilateral because the British and the French and many others in Europe were afraid of a unified Germany. We moved ahead on a unified Germany, to the thanks of the Germans I might add, and the others in Europe came along, and we even brought along the Soviet Union. My point is, sometimes you, as a leader, have to head a course and work with others to bring them along.

This is what is happening in the war on terrorism. Even look at the fighting in Afghanistan. These are not only U.S. soldiers and not only Afghans. We have people from other nations there who are helping on the ground. And on the whole effort dealing

with intelligence information as well as financial information, we're working very closely with other countries on these issues.

Now, even take the topic of steel, as I tried to emphasize in my visit here, but obviously only partially successfully, the safeguard rules that we used are multilateral WTO rules. And indeed there are some other 20 other safeguards in effect, including one from Brazil I might add, and I certainly wouldn't want to accuse Brazil of being unilateral. And so, we are following the WTO rules now maybe it becomes more of a surprise when the United States does it because people are little more used to the United States actually being more concessionary on these topics. But part of my point is that we are going to continue to push for open trade, but we have to be able to use the same rules that others avail themselves of in a condition like this. And to try to further clarify that I actually wrote a piece in the Financial Times today if you'd like a further elucidation.

But also, one other point about multilateralism. As I've said and we've all said in the United States, if people want to debate what we've done, let's debate it multilaterally and go to the WTO. The WTO has a dispute resolution system. We win some, we lose some, but when we lose some we try to adapt, and try to follow the rules. And so, we do not feel that this is a unilateral action. We feel actually that it is an action that uses the WTO rules. And we have the same rights as other countries to try to do that.

One other point on trade and terrorism. I made this in a couple of points that might interest you. One of the reasons that we are pushing forward with trade liberalization, and why even in the steel case you can see me making really strong efforts to try to exclude developing countries, is that this war against terrorism will not be won in a month, or even a year, perhaps even a couple of years. This is a dangerous problem, particularly when it is connected to weapons of mass destruction, that is going to influence a whole generation. We certainly appreciate that many of the countries that we are working with and some of the conditions around the globe are ones where break-up of society and lack of economic prospects and hope become a feeding ground, a fertile ground for terrorists. Now, I do not believe that poverty creates terrorists. I think that is an insult to poor people. I think terrorists are created by evil and a sickness. But there is no doubt that if you have a society like Afghanistan where there it's a failed state, that creates ground for terrorists to operate. So, in a way you look at U.S. policy after World War II where we included economic efforts like the Marshall Plan, and the GATT, and the World Bank as a recognition that the creative world, to resist communism, it had to have free and open economic development. In a way that is also what we're trying to do now and why trade is connected in that sense.

Q -Existe a possibilidade deste movimento nos Estados Unidos levaraté os consumidores de outros países a boicotarem os produtos norte- americanos justamente por causa desta atitude que nao pareceu simpática?

Zoellick: I really don't believe that is going to happen because, at least in my experience, consumers buy goods based on quality and price, and companies do the same. It is a little hard for me to think that that the people that I met, Brazilian suppliers, who are trying to

sell goods around the world through Wal-Mart's market didn't seem too concerned about the steel safeguards. They seemed more concerned about getting into the supply chain system. So, I think that frankly it's not a very likely occurrence.

Where I do think there is a concern here that we try to pay attention to, is that for countries like Brazil, that are in the process of undertaking difficult economic reforms, we certainly don't want to undermine that efforts of those reformers to take on their own barriers to trade. But that is why I've been emphasizing that: 1) this is a WTO procedure, we will follow the WTO rules , 2) it is a limited procedure, 3) we tried, and I think quite successfully, to exclude a lot of developing country products and Western hemisphere products, 4) for those who want to put an emphasis on free trade this is actually a good signal. Because it signals that if you have a free trade agreement with the United States you are a privileged partner. And for those who on their way to free trade, as we are in the Western Hemisphere, you are in a very close and privileged position.

But having said that, this was not an easy decision, there is no doubt about it. But at the end of the day, part of the calculation that we had to make was also the fact of global steel market conditions. And what I am saying here is the global steel industry has been one that has been rife with government intervention subsidies for so long. China committed another six billion dollars of subsidies just last year and when the European Union restructured theirs, they put 50 billion dollars of subsidies and voluntarily restraint agreements on it.

Since the end of Soviet Union, Russia has not closed down one large steel plant. Even though these were built without any sense of market economics. And frankly that's one reason why, in addition to the safeguards action, we combine the two other actions. A global effort to try to reduce global capacity, including ours, where it is inefficient. But also to try to get at some of these unfair trade practices.

Let me give you another example I don't think I've said publicly here, but I've said at other meetings. I went back and looked back at the Japanese steel market. And I looked at the market share of the five major Japanese companies from 1970 to 1998. Those five companies did not change their market share by even one percentage point in any of the twenty eight years. Now I used to be in business. I've never seen a free and open market work that way.

And under those conditions I couldn't tell the 50,000 steel workers that have already lost their jobs in the United States that we wouldn't at least give them a fair chance to be able to get on their feet and compete again. But at the end of the day they are going to have to compete.

Q -que objetivo da sua visita foram atingidos e o que não pode ser acordado com o governo brasileiro?

Zoellick: I don't believe I used the phrase 'partial success,' because my visit was really not a negotiating session. My visit was really driven by a desire to consult with a close

partner on common negotiations dealing with the Southern Cone, dealing with the Western hemisphere, and dealing globally. But also to gather information and insights, because I think Brazil is a very important country, it's a very important partner. I am the first member of President Bush's Cabinet to come here. I wanted show my respect for what President Cardoso has done. I thought this was a good time to do it, as you are moving in your election season, to try to get a sense of what the Brazilian public is thinking about this. From my prospective it's been a very successful trip. I can only leave to others to decide how they found it.

On the steel issue I'll only say this: I realize this is a sensitive issue. So, I am pleased that I was down here because I want to demonstrate that if people have questions, we will try to answer them. I jokingly gave that comment in the other session after you get the same question about 50 times, you start to get a little tired, but look that's part of the job and so I hope if it has helped give a better explanation for Brazilians, Brazilians will make up their own minds. But I am glad that, you know, America's senior trade person is down here, engaged in discussion.

Q - Reuters - O sr. disse que as disputas com relacao a questao do aço devem ser vistas agora no ano fiscal Mas a própriapermite que países tentassem se entender sozinhos antes de ingressarEu queria saber se o senhor vê alguma possibilidade de um entendimento do Brasil Ásia sem a necessidade de.....

Zoellick: Well, this gets to be a little complicated trade law question. But, first the WTO procedures include a period of consultation and, of course, we will abide by that. Second, as I tried to say in other hall – because I'm sensitive to reports I get from Brazil's newspapers, I read them avidly every the morning - is that we do have this period in which we will consider other requests for exclusion. I can't say today whether we will or will not act on those because it requires a technical issue evaluation on whether someone can make a case that that good isn't being supplied by U.S. firms or has a particular business relationship. You may have noticed that we did in the days afterwards try to resolve one of these issues related to Australia. And some of you were commenting on the exclusion that we created for Korean steel, but again just so you understand that, that is not just for Korean steel, that is for a product. It is called feedstock product that is the next stage beyond slab but before the final flat roll. Now it happens to be the case that a Korean company has made that product and used it as an input for a U.S. company. But in creating any exclusion we do it on a most favored nation basis as we have to under WTO rules. As I said to my Brazilian colleagues, if they have a company that can make that and beat the Korean company in price, fine.

Now the last part, however, that I talked about WTO processes, is we've simply said if after that process people still have complaints or want to question the nature of our safeguard action, then we will follow the rules and we will take it to the WTO. We take cases to the WTO all the time. Other countries take cases to WTO all the time. It's better than the alternative and that's why we tried to create such an organization. It is to create a more impartial body to rule on these topics. I will say, and I made this point to my European colleagues, frankly most of the complaining has come from Europe. And it is

interesting complaining. Because in some ways the nature of the complaint underscores the basic point we are making. They are basically saying. "Yes, the U.S. market was very open to steel whether it was fairly or unfairly produced, whether subsidized or not, and if you do anything they close up your market, my goodness, it might come to Europe because we were not as open as you are, but maybe we will get some steel." Now, that is Europe's right, but I do pocket the concession intellectually.

The second point I've said to my European colleagues is that it strikes me as a little awkward to say: "Oh! The United States didn't follow the right procedures in determining injury." We spent seven months, brought in thousands of people and hundreds of thousands of pages, and I can't quite figure out what the injury been to Europe yet, unless the markets have been flooded with ships turning around and running to European ports faster than I think ships can go. And the reason I make that point is: we don't know what is going to happen in the global steel market yet. The United States economy is recovering. We may very well end up importing more steel. The dollar is strong. That partly affects commodity prices. A lot of the countries that the Europeans are concerned about, including Brazil, we've basically taken care of. So, I urge our European colleagues to take the same care and deliberation that we've done and ultimately I'll respect them as professional people to make that decision. And if people want to question them at WTO then they will do the same. I think I have one question.

Q - Valor Econômico Newspaper - O jornal Valor Economico informa hoje numa matéria, segundo uma fonte do USTR vocês tenha deixado espaço na margem de 1 milhão de toneladas de aço por uma margem de negociacao dos países que usam como uma forma de negociar futuramente.... Gostaria de saber se o sr. confirma e qual o critério que o USTR vai usar pra distribuir esta quota adicional. O país tem que lutar mai um pouco?

Zoellick: That's not true. And I was at the heart of this so know this one pretty well. We tried to follow a very transparent process. And our International Trade Commission took the views of industry, users, countries, and then afterwards we followed a process where we tried to be very open to understanding how any safeguard action would affect the international industry. So, there is no hidden ball here, on how we tried to do this. What we said at that time -- the time we made the announcement -- was that we would create this 120-day period, because frankly this is obviously a complex industry. We couldn't look at every individual case. And often when one uses safeguards also there is also a procedure called short supply petitions which means that if the good is in short supply you can petition to allow it to come in without the safeguards. Rather than create a flood of those issues we also said that in the second year we would also have a review period to see what happens and consider whether we need to make adjustments or exclusions. So, as for your second question, what criteria we use. It is the criteria I mentioned in the answer to this person's question, which is that we will look at the technical case to see whether that steel will be in short supply in the United States and if it is not produced there, or whether there is a particular business relationship that might be undermined that could hurt the U.S. upstage company that is relying on that input.

So it will be done as a technical process. It is not done as a negotiating process. In the case of Australia, there was a West Coast steel program that was very reliant on this feedstock process and frankly we thought that they deserved equitable treatment with what had been done with Korean concerns. So, that's what let us make the judgment. And similarly, again, this is why I couldn't give you a fuller answer about further exclusions for Brazil. I was given a white paper here about some Brazilian plans to have operations in the United States and frankly we'll want to look at that and see what they were. I'm not telling you here yes or no, whether it is going to be accepted, but the way we try to do business is in a rational and analytical fashion. That's why we created a 120 days to give another country the time to prepare any of their petitions.

All right. Thank you

- End press conference